Environmental, Social and Governance Investment Policy Statement

Introduction

We believe there is a high correlation between high quality companies and long term shareholder value creation. As an investor in lower capitalization equities, we have always had a heightened sensitivity to ESG factors due to the disproportionate investment risk associated with inappropriate corporate behavior.

We have a 25-year history of managing SRI portfolios and full ESG integration was a natural extension to our fundamental research process. ESG risks and opportunities are measured and analyzed throughout all of the phases of our investment process.

Smaller companies not only tend to adhere to the highest standards of conduct due to an inability to absorb disproportionate financial and reputational risk, but are also often early adopters of business and societal changes. As such, we have always sought to identify companies which can benefit from value creating opportunities.

We are a member of the UNPRI and a signatory of the Montreal Carbon pledge and fully support the Principles for Responsible Investment. We will continue to participate in educational and training opportunities to enhance the collective intelligence and best practices of the firm with regard to ESG research, standards, integration and voluntary disclosure reporting practices.

Our boutique structure allows us to provide fully customized portfolio solutions. As such, we welcome and encourage dialogue with our clients who may need customized portfolios based on ESG factors.

The purpose of this policy is to formalize our longstanding view and process of integrating ESG issues into our investment decisions.

Objectives

Our objective to deliver superior, long term risk-adjusted returns to our clients inherently implies assessing ESG related risks and opportunities on our investment portfolios. We support the Principles for Responsible Investment by the UNPRI and commit to transparently and consistently implement ESG factors in our investment process, risk controls and capital allocation. We seek to continuously improve on our process and update our policy accordingly.

Our goal is to maintain full internal coverage and an ESG rating database of our portfolio holdings across products and develop strong data and analytical foundations to measure progress and performance over time. We track carbon intensity, estimate portfolio revenue exposure to both positive factors (renewable energy, green technology and recycling/waste management) and negative factors (alcohol, tobacco, fossil fuels, firearms, gambling and global sanctions) and continuously review company ESG ratings.

We believe our robust bottom up approach, together with active engagement with management teams of portfolio holdings, will enable us to foster change and develop unique solutions to clients that meet their specific investment objectives.

As a long term investor, we recognize the importance of understanding climate change risk on our portfolios. As a signatory of the Montreal Pledge, we are committed to publicly disclose the carbon footprint of our products. We periodically measure the weighted average carbon intensity score (tons CO2 emissions/USD million sales) of our portfolios and strive to keep it below the relevant benchmarks.

ESG Guidelines

Definition

THB systematically and consistently incorporates its ESG principals into the research process and portfolio construction. ESG expands the traditional definition of risk by identifying market and sectoral changes driven by advancements in technology, regulatory changes, the transition to green energy sources and changing investor behavior. The analysts take into account ESG factors weighted on their materiality relative to its specific sector. The three main themes encompass risks and opportunities related to:

- **Environment:** carbon emissions, energy efficiency, water and air pollution, material recycling.
- **Social:** health and safety, labor practices, supply chain controversies, community impact.
- **Governance:** board diversity and independence, executive compensation, accounting controversies.

Guidelines on Environmental, Social and Governance Factors.

When analyzing the ESG impact on potential investments, the research team takes into consideration a list of pre-determined material factors which, THB believes, could have an immediate as well as long term impact on financial performance. THB has established a framework designed to give guidance and flexibility to the analyst team to explore in further detail company specific issues where necessary. The ESG research process is standardized under the following steps:

1. Gather all publicly available company and industry specific ESG information.
2. Assess factor materiality relative to the sector, past controversies if any and future initiatives.

3. Identify current and potential key risks to achieve strategic vision and internal risk controls.
4. Evaluate future opportunities where the company has a strong ESG position or participate directly by providing product or services related to sustainability.
5. Rate the company following THB's internal ESG rating system.
6. Address specific issues if any with company management and seek higher disclosure to fill gaps in existing data.
7. Monitor new developments and follow progress toward better ESG performance.

Climate Change

We believe that climate change could potentially pose significant risk to long term financial returns. At the same time, it could also present new investment opportunities as an increasing number of companies and investors become more environmentally conscious. THB employs a two-fold approach to climate related factors by analyzing climate risks and opportunities on a company level and in the context of total portfolio exposure.

Our fundamental analysis takes into consideration climate-risk issues such as carbon emissions, green technology, energy efficiency, pollution and waste reduction activities which are incorporated in our ESG rating methodology. Our investment committee, which includes senior-level management, assesses the ESG and Quality assessment ratings before making an investment decision. Additionally, portfolio carbon exposure to climate risks and opportunities is evaluated by taking into account the aggregate carbon intensity and portfolio revenue exposure to low carbon solutions as well as stranded assets.

We believe microcap companies, due to their niche product and service offerings, provide a large opportunity set to participate in emerging sustainable impact themes. We periodically track portfolio exposure to positive environmental themes such as green technologies, renewable energy and pollution reduction. As such technologies become widely adopted to reduce GHG emissions and potentially reverse the impact of global warming, these emerging micro-cap companies are positioned to dominate attractive growth markets.

Investment Approach

Initial data sourcing. During our due diligence process, our research team collects all relevant ESG information using multiple primary and secondary sources. We have identified websites, news topics and regulatory agencies which can alert us to ESG risks present in the companies we invest in. Examples include controversial supply chains, product safety and labor practices or other controversies such as human rights violations. We also check current and past litigations and evaluate their materiality on both the financial health and reputation of the company. Our internal research effort is currently supplemented with subscriptions to third party data providers such as MSCI ESG Research and Bloomberg.

If material issues are identified, they are brought to the attention of the entire team. We assess whether the company has addressed the issues appropriately and its ability to achieve its strategic vision due to major environmental, social or regulatory hurdles.

In-depth quality review and rating. Each company is then analyzed based on a more granular breakdown of its core businesses and subsidiaries. The analysts take into account multiple variables and assign each a rating based on our internally developed grading system. Weights are set for each GICS Sector based on relative impact and time horizon associated with each risk. The final letter rating between AAA (best) and CCC (worst) is not absolute in nature and subject to continuous review.

Engagement opportunities. We would not screen out a company purely based on below average ESG ratings. We adapt a positive engagement approach with the management teams which allows us to encourage constructive change where required. Therefore, our research team is taking forward-looking perspective identifying areas of weaknesses and/or strengths that the company can capitalize on in the long term.

Monitoring and review. Our research team continuously follows the performance of portfolio companies and adjusts the company ESG ratings when necessary. Material changes are brought to the attention of our investment committee and our investment thesis is reviewed accordingly.

Monitoring and Reporting

THB has established procedures to ensure continuous monitoring and reporting practices with all parties involved in our ESG process. Maintaining an open dialogue with portfolio holdings, clients and all relevant organizations such as the UNPRI is integral part of our monitoring and reporting framework. THB is a signatory to the United Nations Principles for Responsible Investment (UNPRI) and Montreal Carbon Pledge. As such, we externally report our responsible investment activities and are annually assessed by the PRI Association.

- Quarterly internal review: our investment committee evaluates ESG integration processes, company ESG ratings, carbon footprint of portfolios and engagement activities with portfolio companies.
- Annual public disclosure: as a PRI member, we are required to report all responsible investment activities on an annual basis which allows us to receive feedback and improve our performance.
- Data assurance: both internal and third party company ESG ratings are monitored to ensure all of the latest information is incorporated; third party carbon emission data is updated annually while portfolio level reports are generated quarterly and can be provided to clients upon request.